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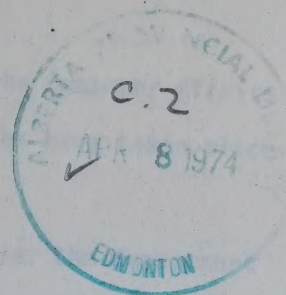
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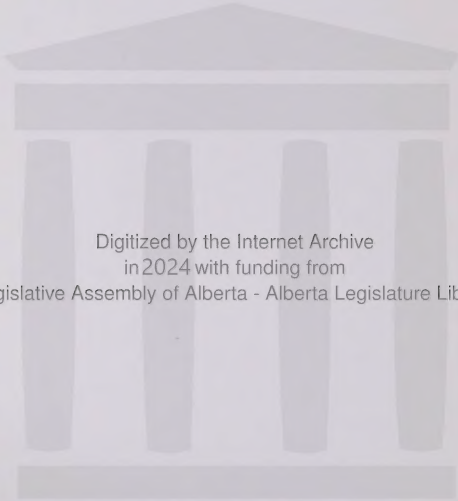
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**ANNUAL REPORT
CONSUMER AFFAIRS BRANCH**

DECEMBER 31, 1971





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To His Honour,
The Honourable Lieutenant Governor in Council.

The first complete year of operations for the Consumer Affairs Branch ended with the closing of 1971. Several changes have taken place which require specific note:

(A) The Branch administration was moved under the Department of Labour from the Treasury Department as of April 1.

(B) Staff was increased by

Clerk-Steno I-II as of May 1.

Consumer Research Officer as of June 1.

(C) Moved office to temporary location, Room 405, I.B.M. Building.

Liaison was maintained with consumer and business groups such as the Better Business Bureaux at Edmonton and Calgary, the Consumer Association of Canada, The Credit Grantor's Association, The Canadian Mobile Home and Travel Trailer Association.

In the field of dissemination of information to the public, some of the steps taken were for members of the Branch to speak to service clubs and high school students, as well as appearing on radio and television public information programs. The complexity of the market place, coupled with the fact that consumers are more aware of "investigating before investing" caused the number of telephone enquiries to increase. The Branch was called upon to disseminate information about such things as price control, warranties, guarantees, refunds of deposits, false or misleading advertising, money management, landlord and tenant problems, finance charges and rebating procedures, and various business investment schemes such as vending machines, franchises or marketing schemes.

The Branch workload, to a large extent, consisted of answering these telephone enquiries, as well as resolving minor complaints which did not require correspondence or a recorded file.

An increased number of written complaints required time consuming, detailed investigation. In a large percentage of instances, the particular circumstances involved in the complaint were not covered by specific Provincial legislation. However, through assessing all the available factual information, the Branch was able to mediate settlements that were mutually acceptable.

These complaints appear to indicate the need for either updating existing legislation or implementing new legislation to provide more specific guidelines for both the consumer and the business community. Information is presently being gathered pertaining to the advisability of centralization in administration of consumer legislation and to enlarge both the Consumer Affairs Act and The Credit and Loan Agreements Act, as well as to provide for new legislation in the areas of unsolicited credit cards, information agents, collection practises, warranties, pyramid and referral selling, retail sales of motor vehicles, mobile homes and recreation vehicles.

The quantity and diversity of the complaints makes it impractical to review each one individually. The following is a summary of the major areas which indicate the variety of matters the Branch dealt with and supports the need for continuing research.

Warranties and Guarantees

Most problems arose due to consumers either not initially finding out or reading what was offered, or they were written in such a complex manner that

consumers were unable to understand them. In many cases, what was interpreted as a warranty or guarantee, turned out to be very nebulous at best, and appeared to require the jurisdiction of the courts to determine what, if any, protections were offered.

Their use as selling aids by over emphasizing what purportedly was being offered, resulted in many claims being denied by the retail businessman and the supplier involved. These disputes are partially as a result of lack of intent of both parties, and lack of ability to determine exactly where the liability lies. In many instances, what was verbally offered did not form part of the contract, and in some cases, was negated in the contract itself.

Many sellers endeavor to shift responsibility to the suppliers who are out of Province or country, making it almost impossible for the consumer or the Branch to obtain redress. On investigation of some cases, it was established that the supplier was prepared to provide the warranty offered, and had designated the seller as his service agent. The degree of satisfaction and service, it would appear, is only as good as the seller's ability or intention.

The most prevalent abuses were found in the sale of mobile homes, automobiles, automobile repairs, home improvements and landscaping. They were also evident in sales of cleaning services, appliances, wigs, hearing and optical supplies, and shoes, to mention only a few.

Sales Method

Continued exploitation of the consumer through the practise of unethical sales methods were frequent occurrences in many of the complaints received.

The unscrupulous use of high pressure techniques by commission sellers for the purpose of consummating a sale were prevalent abuses. Misrepresentation of quality, quantity, model year, odometer reading, guarantees, performance, accessories and price were encountered.

Deposits and downpayments were forfeited by consumers in many instances due to the inability of the seller to complete the performance of the contract. In some cases, it was found that the seller who was a limited company, had gone out of business due to insolvency without being in receivership or official bankruptcy. On the other hand, some contracts provided for the forfeiture of deposit or downpayment when the deal was not concluded. In most cases, the selling agent shifted the responsibility to a failure on the part of the consumer so that the deposit could be retained as ascertained damages. The Branch was successful in obtaining refunds of deposits in many cases and ranged from a \$5.00 deposit on a pair of shoes to a \$3000 deposit on a distributorship.

In layaway merchandising programs, indications are that all monies paid should be retained in trust accounts until the contract is finalized or the goods delivered. Advance fee promotions, where consumers paid in total, for the goods or services to be provided at a later date, was a major area of abuse. It appears these monies should also be required to be handled in a manner similar to that of layaway merchandising programs.

Many consumers who endeavored to improve social standings entered into minimum contracts only to be intimidated and high pressured into accelerated contracts where their financial liability was substantially increased.

Modified versions of referral sales continued to cause consumer

abuses due to loopholes which appear to have been found in present controls.

Consignment sales, where consumers left goods with a retail outlet for sale, created extensive hardship and abuse and appeared to allow the insolvent and unscrupulous seller to maintain a business operation at the unwarranted expense of the consumer. It is possible that elimination of this unnecessary business practise would alleviate this abuse.

The majority of abuses in this area were found in sale of prefab homes, home utensils, dance and social club memberships, magazine subscription sales, automobile and mobile home sales, home repair services, health clubs, sale of musical instruments and courses, home study and self development courses.

Advertising

A large number of problems were initiated by the use of advertising techniques which over accentuated, or in some cases, failed to disclose sufficient details for the consumer to make a sound decision. Many ads were geared to capitalize on the gullability of the consumer public, while others were designed to bait consumers into the business premises where they were switched by high pressure sales methods to more expensive merchandise. The use of meaningless cliches such as fully guaranteed, lifetime guarantee, one owner, executive driven demonstrators, free prize offers, lowest prices anywhere and free trial offers contributed to consumer problems.

It is evident from the Branch case file that more responsible scrutinization is required by anyone accepting advertising of any description for dissemination to the public.

Abuses were found in sales of automobiles, optical and hearing dispensers, record clubs, cleaning and home services, carpet and drapery sales, hair treatment specialists, and in the receipt of promotional literature by mail.

Business Investments

Alberta residents continued to be exploited by the promoters of get rich quick schemes. Huge sums of money were extracted from the unwary and inexperienced by the promise of excessive profits, with little or no effort of the investor. The sale of multi-level and pyramid distributorships caused the greatest loss to Albertans and the products involved ranged from cosmetics to cleaning materials, wigs to men's suits and cashcards to self-improvement programs. Some of the early investors in these schemes have shown a profit, but by far, the majority suffered extensive losses. Emphasis was on the recruitment of distributors at the various investment levels, rather than on the marketing of a product. Oversaturation of the marketplace with distributors resulted in the eventual collapse of the schemes.

The sale of vending machines and locations at excessive profits through high pressure marketing techniques was the source of many Branch complaints. Unwary investors were misled by false statements and promises of excessive profits that would result from careful management. The product involved in this area ranged from beverages, confections, pens, nylon hosiery, cigarettes and food supplies. The main problem resulted from the fact that by the time the consumer was able to ascertain that his investment would not or could not provide a satisfactory return, the selling agent had departed from the area.

The promotion of fur bearing breeding stock as a part time home investment was still evident, but is on the decline. One of the unfortunate aspects of this operation was that it was geared towards the aged, who in many instances parted with their life savings.

The Branch found in numerous cases investigated, that the promoters and companies behind the schemes had not complied with the requirements of Provincial legislation and when challenged, often tried to escape liability by stating that they were "National" or "International" firms.

Home Repairs

This was one of the largest of the complaint areas that the Branch experienced. The most common complaints received concerned overpricing, poor workmanship, poor quality of materials used, and the non performance of guarantees or warranties. In some instances where substantial deposits or full payments were made in advance, the work was either partially completed or never started, leaving the consumer with little or no recourse. Complaints were received with respect to home improvements, such as windows, doors, siding, painting, sidewalks, driveways, garage construction, stuccoing, water proofing, plumbing, roofing, chimney repairs and general landscaping.

Property Management and Rentals

The Branch encountered property management problems, such as managing agents raising a tenant's rent without proper authorization or notification, presentation to owners of accounts for non existing repairs, and failure to remit monies properly owing. Several complaints relating directly to the Landlord and Tenants Act were received. These consisted mainly of failure to return damage deposits, or the payment of interest thereon, as well as disputes

concerning notification for termination of tenancy.

Contracts

A common element in most complaints registered with the Branch, involved problems consumers encountered in entering into contracts. While this area overlaps others already dealt with, it was of such significance that it requires specific comment. In some transactions, consumers became involved in a business situation without recognizing it. The consumer must exercise common sense and intelligence, but in too many cases, due to the complexity of documentation, this was often prevented. Unfortunately, knowing this, the unscrupulous preyed on the ignorance and gullibility of the consumers and were successful in involving them in contracts which were void of recourse. This left the consumer heavily involved in financial obligations, as the majority of benefits were registered in favour of the seller.

Some glaring examples of abuse were found in contracts which involved house moving, trade school courses, charter trips, automobile and mobile home sales, record and book clubs, magazine sales, drapery sales, and repair and service contracts. An unconscionable abuse was found where cash advances were made on unemployment insurance benefits and income tax refunds. There were instances where charges were assessed in the area of 1000% per annum. It is evident that immediate steps are necessary and the Branch is presently investigating ways to control or eliminate this practise.

Information Agents

The matter of the rights of individuals to privacy in a world with

ever increasing computerization and centralization of record keeping posed as a major concern for the consumer public.

The Branch encountered complaints mainly in the area of credit information, and had a number of enquiries pertaining to trading of information in general.

It is evident that a certain amount of information is necessary for the operation of sound business, but it is unrealistic to assume that this vital area will exist to the benefit of all, without some specific guidelines.

Close co-operation was maintained with other provincial and Federal Government Departments concerned with the problems of the consumer and businessman.

While the Branch is still in the infant stage, it did gain valuable experience in dealing with the requirements and demands that were made. The Branch was able to profit by obtaining increased knowledge and expertise through its involvement in consumer affairs during the past year. There is still a great deal to accomplish in order to be prepared to assist all Albertans, it is felt, however, the services extended were most beneficial to the citizens who requested them.

Respectfully submitted,

Minister of Labour.

December 31, 1971.

